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LEGISLATIVE COUNCIL

Report on Examination of Financial Statements  
Two Fiscal Years Ended June 30, 1983

Performed under Contract by

Kindred Holland & Co.

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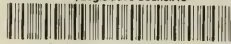
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STATE OF MONTANA

LEGISLATIVE COUNCIL

Report on Examination of Financial Statements  
Two Fiscal Years Ended June 30, 1983

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STATE OF MONTANA

Office of the Legislative Auditor

STATE CAPITOL  
HELENA, MONTANA 59620  
406/449-3122



ROBERT R. RINGWOOD  
LEGISLATIVE AUDITOR

October 1983

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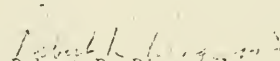
The Legislative Audit Committee  
of the Montana State Legislature:

Enclosed is the report on the audit of the Legislative Council for  
the two fiscal years ended June 30, 1983.

The audit was conducted by Kindred, Holland and Company under a  
contract between the firm and our office. The comments and recom-  
mendations contained in this report represent the views of the firm  
and not necessarily the Legislative Auditor.

The agency's written response to the report recommendations is  
included in the back of the audit report.

Respectfully submitted,

  
Robert R. Ringwood  
Legislative Auditor



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ELECTED AND APPOINTED OFFICIALS

Legislative Council

1981-1983

Senators

Pat Goodover, Chairman  
Carroll Graham  
Joe Mazurek  
Jesse O'Hara

Representatives

John Vincent, Vice-Chairman  
Burt Hurwitz  
Rex Manuel  
Barbara Spilker

1983-85

Senators

Allen Kolstad, Vice-Chairman  
Pat Goodover  
Carroll Graham  
M.K. Daniels

Representatives

Rex Manuel, Chairman  
Ralph Eudaily  
Bob Marks  
John Vincent

Diana Dowling, Director



## SUMMARY OF RECOMMENDATIONS

This listing serves to summarize the recommendations contained in the report and the Council's responses and also as a ready reference to the supporting comments. The full response of the Council is included in the back of this report.

### Page

The Legislative Council implement  
procedures to correct the above  
mentioned weaknesses

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Agency Reply: Concur. See page 19.



## INTRODUCTION

We performed a financial/compliance audit of the Legislative Council for the two fiscal years ended June 30, 1983. The objectives of the audit were to: (1) determine if the Council's financial statements present fairly its financial position at June 30, 1983 and the results of operations for the two fiscal years then ended; (2) determine if the Council complied with applicable laws and regulations; and (3) make recommendations for the improvement in the management and internal controls of the Council. The Legislative Council was last audited in 1981.

## COST OF IMPLEMENTING RECOMMENDATIONS

In accordance with Section 5-13-307, MCA, we analyzed the costs of implementing the recommendations made in this report. Each report section discloses the cost, if significant, of implementing the recommendation.

## BACKGROUND

The Legislative Council is an eight-member council established by Title 5, Chapter 5 and 11, MCA. The Council staff provides research, bill drafting, and legal services to the legislature and interim committees. The staff also enrolls, prints, and mails all bills, prepares House and Senate Journals and Session Laws for publication; and provides for the recodification and indexing of Montana statutes.

The Legislative Council includes the following programs:

Legislative Research	Interim Studies and Conferences
Legislative Services	Montana Codes Annotated
Management	Con-Con Publication
Legal Services	Commission on Uniform State Laws

The Legislative Services, Interim Studies and Conferences and Con-Con Publication programs are funded by continuing appropriations. The other programs are funded on a fiscal year basis.



## FINANCIAL STATEMENT ADJUSTMENTS

### Accounts Receivable

At June 30, 1981 the financial statements were adjusted by the prior auditor to include \$ 26,189 in accounts receivable, resulting in a corresponding increase in revenue for that year. The Council did not make this adjustment to the Statewide Budget and Accounting System (SBAS). As a result, when the accounts receivable were collected the money was recorded as revenue in fiscal year 1981-82. This revenue was recorded twice, in both fiscal years 1980-81 by the prior auditor and in 1981-82 by the Council.

Revenue in the Other Special Revenue Fund was reduced in 1981-82 by \$ 26,189 to adjust for accounts receivable and revenue recorded in the prior fiscal year.

As of June 30, 1983, the Council is recording accounts receivable, with the corresponding revenue adjustment, on SBAS.

### Inventory

Inventory is recorded on SBAS to reflect the value of items on hand for resale. The costs of producing the inventory are expensed as incurred. A physical count of the inventory for the Montana Code Annotations publication was made which resulted in a balance different from that recorded on SBAS, within the Other Special Revenue Fund.

The inventory and inventory reserve accounts were adjusted from \$ 98,605 to \$ 66,625 to reflect actual amounts on hand at June 30, 1983. This adjustment has no effect on revenue or expenditures.

### Lease Payable

The Council has a capital lease for three word processors. The liability for future minimum lease payments is \$ 27,875. An adjustment to the financial statements was made to reflect this liability.





## INTERNAL CONTROLS

We have examined the financial statements of the Legislative Council and have issued our report thereon dated September 23, 1983. As part of our examination we made a study and evaluation of the Council's system of internal accounting control to the extent we considered necessary to evaluate the system as required by generally accepted auditing standards. The purpose of our study and evaluation was to determine the nature, timing, and extent of the auditing procedures necessary for expressing an opinion on the financial statements. Our study and evaluation was more limited than would be necessary to express an opinion on the system of internal accounting control taken as a whole.

The Legislative Council is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgments by the Council are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide the Council with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with the Council authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles.

Because of inherent limitations in any system of internal accounting control, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

The internal control review of the Council was limited to tests of controls over revenue, expenditures, inventory, payroll, and plant, property, and equipment. We applied substantive testing to these areas as it gave us more effective results. We also applied compliance testing to those controls dealing with state laws and procedures.



Our study and evaluation made for the limited purpose described in the first paragraph would not necessarily disclose all material weaknesses in the system. Accordingly, we do not express an opinion on the system of internal accounting control of the Legislative Council taken as a whole. However, our study and evaluation disclosed no material weaknesses in internal control.

#### MANAGEMENT COMPLIANCE

As stated above, we found no material internal control weaknesses. Our study and evaluation disclosed the following conditions that we believe warrant management attention.

##### Inventory

The Council has an inventory of publications for resale, consisting of Constitutional Convention sets and Montana Session Laws sets. The publications are valued at a cost determined on a reasonable basis by the Council.

Inventory records are kept on a perpetual system, with sets sold subtracted from the sets originally produced. At fiscal year-end 1983 these records were used to determine the inventory value recorded on SBAS.

As discussed on page 2, the inventory value of the Montana Code Annotations volumes was adjusted to agree to a physical count taken. The perpetual records were inaccurate because of the production of a sixth volume, defective binders, and sets assigned to Council staff not taken into consideration on the perpetual records.

The Council should take a periodic physical inventory count to ensure the accuracy of the perpetual records. Controls over inventory would be enhanced as the physical count would provide evidence of missing or incomplete sets of the publications.



## Accounts Receivable

The Council records accounts receivable on its publication sales in a ledger which lists sales by date, invoice number and amount of the sale. When payment is made, it is recorded as a credit to accounts receivable, but not tied to a specific sale.

In order to determine what sales make up the accounts receivable balances, the Council has to review unpaid invoices. If an invoice were lost or misplaced, the accounts receivable balance wouldn't agree to the unpaid invoices, and it would be difficult to determine who was responsible for the amount owed.

When a payment on account is made, it should be matched to a specific sales invoice. Accounts receivable could then be determined by adding the ending sales balances. This would enable the Council to easily identify outstanding accounts.

## RECOMMENDATION #1

We recommend that the Legislative Council implement procedures to correct the above-mentioned weaknesses.

## PRIOR REPORT RECOMMENDATIONS

The Legislative Council was last audited for the fiscal year ended June 30, 1981 under a contract with the Office of the Legislative Auditor. The report contained four recommendations. The Council has implemented all four recommendations.

Costs of publications have been defined to the extent practical. Accounts receivable are reflected on SBAS at fiscal year-end. Fixed assets are recorded both on SBAS and on PAMS, including aggregated items. Legislators have payroll taxes withheld on their salaries through the state central payroll system.



## FINAL COMMENTS

The preceding comments and recommendations are intended solely for the use of management and the legislature and should not be used for any other purpose. This restriction as to use is not intended to limit the distribution of this document, which upon acceptance by the Legislative Audit Committee, is a matter of public record.

We thank the Legislative Council Director and her staff for their cooperation and assistance during our audit.





AUDITOR'S REPORT AND FINANCIAL STATEMENTS





Karen M. Booker  
Marcia E. Goodell  
Michael W. Danzer  
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September 23, 1983

The Legislative Audit Committee  
of the Montana State Legislature:

We have examined the combined Balance Sheets and Statements of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual of the various funds and account groups of the Montana Legislative Council as of and for the two fiscal years ended June 30, 1983. Our examination was made in accordance with generally accepted governmental auditing standards for financial and compliance audits and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements referred to above present fairly the financial position of such funds and account groups of the Montana Legislative Council at June 30, 1983 and the results of its operations and the changes in fund balances of such funds for the two fiscal years then ended, in conformity with generally accepted accounting principles which have been applied on a consistent basis.

Our examination was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The columns titled "Total - Memorandum Only" and the accompanying Schedules of Expenditures by Object and Schedule of Adjustments to SBAS are presented as supplemental information.



Legislative Audit Committee

September 23, 1983

Page Two

This information has been subjected to the auditing procedures applied in the examination of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Kendred Holland & Co.  
KINDRED HOLLAND & CO.  
Certified Public Accountants



LEGISLATIVE COUNCIL  
COMBINED BALANCE SHEET  
ALL FUND TYPES AND ACCOUNT GROUPS  
JUNE 30, 1983

	GOVERNMENTAL FUND TYPES			ACCOUNT GROUP	
	General Fund	Special Revenue Fund	Other Special Revenue Fund	General Lease Liability	General Fixed Assets
<b>ASSETS:</b>					
Cash in Treasury			\$ 576,839		
Accounts receivable	\$ 1,750		7,222		
Merchandise inventory	112,200		66,625		
Equipment					\$ 120,511
Amounts available to pay accounts payable and accrued expenditures	80,360				
Amount to be provided for payment of lease liability (Note 7)				\$ 27,875	
Total Assets	\$ <u>194,310</u>	\$ <u>0</u>	\$ <u>650,686</u>	\$ <u>27,875</u>	\$ <u>120,511</u>
<b>LIABILITIES AND FUND EQUITY:</b>					
Liabilities:					
Accounts payable	\$ 80,360		\$ 535		
Due to State of Montana	1,750				
Lease payable (Note 7)				\$ 27,875	
Total Liabilities	<u>82,110</u>	<u>0</u>	<u>535</u>	<u>27,875</u>	
Fund Equity:					
Investment in general fixed assets					\$ 120,511
Reserve for inventory	112,200		66,625		
Fund balance	0	0	583,526		
Total Liabilities and Fund Equity	\$ <u>194,310</u>	\$ <u>0</u>	\$ <u>650,686</u>	\$ <u>27,875</u>	\$ <u>120,511</u>

The accompanying notes are an integral part of these statements.





LEGISLATIVE COUNCIL  
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES  
IN FUND BALANCE — BUDGET AND ACTUAL  
GENERAL FUND, SPECIAL REVENUE FUND, AND OTHER SPECIAL REVENUE FUND  
FOR THE FISCAL YEAR ENDING JUNE 30, 1983

	General Fund			GOVERNMENTAL FUND TYPES			Other Special Revenue Fund		
	Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
Revenues:									
Publication sales	\$ 22,988	\$ 19,324	\$ 3,664				\$ 180,000	\$ 206,835	\$ 26,835
Expenditures:									
Legislative research	282,798	269,940	12,858						
Legislative services	1,649,667	1,217,648	432,019						
Management	457,072	285,144	171,928						
Legal services	370,476	335,521	34,955						
Interim studies and conferences	204,473	165,340	39,133	\$ 18,279	\$ 5,219	\$ 13,060			
Montana Code Annotated							80,000	78,899	1,101
Con-Con publication project	49,313	14,058	35,255						
Commission on Uniform State Laws	7,590	5,191	2,399						
Total Expenditures	<u>3,021,389</u>	<u>2,292,842</u>	<u>728,547</u>	<u>18,279</u>	<u>5,219</u>	<u>13,060</u>	<u>80,000</u>	<u>78,899</u>	<u>1,101</u>
Excess current revenues over (under) current expenditures	(2,998,401)	(2,273,518)	(724,883)	(18,279)	(5,219)	(13,060)	100,000	127,936	27,936
Other Financing Sources:									
Support from the State of Montana	2,998,401	2,273,518	724,883						
Support from the Capital Land Grant Account				9,291	3,401	5,890			
Support from Renewable Resource BPIC Fund				8,998	1,818	7,170			
				<u>18,279</u>	<u>5,219</u>	<u>13,060</u>			
Excess revenues over (under) expenditures and other sources	0	0	0	0	0	0	100,000	127,936	27,936
Fund balance July 1, 1982	0	0	0	0	0	0	455,590	455,590	0
Fund balance June 30, 1983	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>555,590</u>	\$ <u>583,526</u>	\$ <u>27,936</u>

The accompanying notes are an integral part of these statements.



LEGISLATIVE COUNCIL  
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES  
IN FUND BALANCE -- BUDGET AND ACTUAL  
GENERAL FUND, SPECIAL REVENUE FUND, AND OTHER SPECIAL REVENUE FUND  
FOR THE FISCAL YEAR ENDING JUNE 30, 1982

	GOVERNMENTAL FUND TYPES								
	General Fund			Special Revenue Fund			Other Special Revenue Fund		
	Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
Revenues:									
Publication sales	\$ 21,000	\$ 22,988	\$ 1,988				\$ 375,000	\$ 410,776	\$ 35,776
Expenditures:									
Legislative research	271,333	241,328	30,005						
Legislative services	1,034,132	710,471	323,661						
Management	303,813	230,225	73,588						
Legal services	354,393	318,349	36,044						
Interim studies and conferences	312,503	201,173	111,330	\$ 30,000	\$ 11,721	\$ 18,279			
Montana Code Annotated							\$ 418,200	\$ 408,484	9,716
Con-Con publication project	193,884	144,572	49,312						
Commission on Uniform State Laws	13,920	10,602	3,318						
Total Expenditures	<u>2,483,978</u>	<u>1,856,720</u>	<u>627,258</u>	<u>30,000</u>	<u>11,721</u>	<u>18,279</u>	<u>418,200</u>	<u>408,484</u>	<u>9,716</u>
Excess current revenues over (under) current expenditures	(2,462,978)	(1,833,732)	(629,246)	(30,000)	(11,721)	(18,279)	(43,200)	2,292	45,492
Other Financing Sources:									
Support from the State of Montana	2,462,978	1,833,732	629,246						
Support from the Capital Land Grant Account				15,000	5,709	9,291			
Support from Renewable Resource BPIC Fund				15,000	6,012	8,988			
	<u>2,462,978</u>	<u>1,833,732</u>	<u>629,246</u>	<u>30,000</u>	<u>11,721</u>	<u>18,279</u>			
Excess revenues over (under) expenditures and other sources	0	0	0	0	0	0	(43,200)	2,292	45,492
Fund balance July 1, 1981	0	0	0	0	0	0		589,340	
Adjustment to fund balance (Note 6)								(136,042)	
Adjusted fund balance July 1, 1981							<u>453,298</u>	<u>453,298</u>	<u>0</u>
Fund balance June 30, 1982	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>410,098</u>	\$ <u>455,590</u>	\$ <u>45,492</u>

The accompanying notes are an integral part of these statements.



LEGISLATIVE COUNCIL  
NOTES TO THE FINANCIAL STATEMENTS  
FISCAL YEARS ENDED JUNE 30, 1983 AND JUNE 30, 1982

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NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The preceding financial statements were prepared from the Statewide Budgeting and Accounting System with adjustments. The Legislative Council is a segment of the Legislative Branch of the State of Montana.

The accounting records are maintained on the modified accrual basis of accounting. Under the modified accrual basis of accounting, expenditures are recorded on the basis of incurred costs or legal liability and revenues are recorded when received in cash unless susceptible to accrual. Revenues are susceptible to accrual if (1) they are measurable and available to finance expenditures of the fiscal period or (2) are material in amount and are not received at the normal time of receipt.

Fund Types and Account Groups

The State of Montana accounts are organized by a fund structure as outlined in Section 17-02-102, MCA. For financial presentation, these funds have been reclassified according to the Governmental Accounting and Financial Reporting Principles Statement 1 issued by the National Council on Governmental Accounting.

Governmental Funds

General Fund -- To account for all financial resources allocated by the State for support of the agency's programs and administration.

Special Revenue Fund -- To account for the proceeds of specific revenue sources that are legally restricted to expenditure for specified purposes.



LEGISLATIVE COUNCIL  
NOTES TO THE FINANCIAL STATEMENTS  
FISCAL YEARS ENDED JUNE 30, 1983 AND JUNE 30, 1982

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NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Other Special Revenue Fund -- To account for the proceeds of publication sales. This fund is used rather than a proprietary fund, as it is controlled by the Council's budgeting process. Inventory costs are expensed as incurred, rather than when publications are sold.

Account Group

General Fixed Assets -- To account for fixed assets in a self-balancing group of accounts.

General Lease Liability -- To account for future minimum lease payments for which the Council is obligated.

NOTE 2. VACATION AND SICK PAY

Liabilities incurred because of unused vacation and sick pay by employees are not reflected on the financial statements. The related expenditure is recorded when paid. Permanent employees are allowed to accumulate and carry over a maximum of two years' vacation into a new calendar year. Excess vacation time is not forfeited if taken within 90 days from the last day of the calendar year. Upon termination, qualifying permanent employees having unused accumulated vacation and sick leave receive payment for vacation on a 100 percent basis and sick leave on a 25 percent basis. The amount of the liability associated with unused accumulated vacation and sick leave at June 30, 1982 and June 30, 1983 is not readily determinable.





LEGISLATIVE COUNCIL  
NOTES TO THE FINANCIAL STATEMENTS  
FISCAL YEARS ENDED JUNE 30, 1983 AND JUNE 30, 1982

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NOTE 3. GENERAL FIXED ASSETS AND IMPLEMENTATION OF PAMS

General fixed assets are expensed at the time of purchase. The Legislative Council accounts for fixed assets, recorded at cost, on the Property Accountability Management System (PAMS). Fixed assets recorded on PAMS consist of assets of a relatively permanent nature with a useful life of more than one year and a unit or aggregated cost of \$ 200 or more. Depreciation is not recorded for general fixed assets.

NOTE 4. RETIREMENT SYSTEM OBLIGATIONS

Employees at the Legislative Council are covered by the Public Employees' Retirement Plan. This contributory retirement plan involves matching amounts paid by the eligible employee and employer. The agency incurred pension plan costs of \$ 53,058 during fiscal year 1981-82 and \$ 54,637 during fiscal year 1982-83. The State contributes 6.2 percent of an employee's gross wages and the employee contributes 6 percent of his/her gross wages to the plan.

The State's policy is to fund accrued pension costs. The Public Employees' Retirement System was actuarially sound at June 30, 1982, the date of the most recent actuarial valuation. The unfunded past service costs and the actuarially computed value of vested benefits were not readily available for members of the plan employed by the agency.

NOTE 5. BUDGET INFORMATION

The Legislative Council utilizes a fixed annual basis of budgeting for its research, management, legal services, Montana Code Annotated, and MCCUSL programs. Under the fixed annual method, appropriations



LEGISLATIVE COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

FISCAL YEARS ENDED JUNE 30, 1983 AND JUNE 30, 1982

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NOTE 5. BUDGET INFORMATION (Continued)

of specific dollar amounts are set for each fiscal year of a biennium by the Legislature. At the end of each year, the remaining appropriation balance reverts to the fund of original appropriation. The reverted appropriation may be used in the subsequent year as authorization for valid prior year obligations.

The Council utilizes a biennium-based budget for its programs relating directly to serving the legislature and the interim studies and conferences programs. Continuing appropriations of specific dollar amounts are set for each biennium, with unspent balances carried forward to subsequent fiscal years of the biennium. At the end of each biennium, the remaining appropriation reverts to the fund of original appropriation. The reverted appropriation may be used in the subsequent year as authorization for valid prior year obligations.

The Council's Con Con publication project was originally funded in 1977. The appropriation was continued until the funding was fully expended. An additional appropriation was approved by the Legislature in 1981. As of June 30, 1983 all unspent funds reverted to the general fund.

NOTE 6. ADJUSTMENT TO FUND BALANCE

The fund balance in the Other Special Revenue Fund at June 30, 1981, which was audited by other auditors, is misstated. The balance of \$589,340 includes the value of year-end inventory, which should be recorded in a separate inventory reserve account. The original balance has been reduced by \$136,042, the value of the inventory, and is restated at the correct balance of \$453,298.



LEGISLATIVE COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

FISCAL YEARS ENDED JUNE 30, 1983 AND JUNE 30, 1982

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NOTE 7. LEASE PAYABLE

The Council has a capitalized lease for the purchase of three word processors with a private company. The liability for the lease has been included in the financial statements with a corresponding asset recorded in PAMS. The Council is obligated for monthly payments of \$844.69 through March, 1986.

The Council's commitment under the lease agreement provides for the following minimum lease payments:

Fiscal Year	
<u>Ending June 30</u>	
1984	\$ 10,136
1985	10,136
1986	7,603
	\$ <u>27,875</u>



LEGISLATIVE COUNCIL  
SCHEDULE OF EXPENDITURES BY OBJECT  
ALL FUNDS COMBINED  
FOR THE FISCAL YEARS ENDING JUNE 30, 1983 AND JUNE 30, 1982

	<u>1983</u>	<u>1982</u>
Personal Services:		
Salaries	\$ 1,027,437	\$ 897,455
Benefits	<u>174,057</u>	<u>162,317</u>
	<u>1,201,494</u>	<u>1,059,772</u>
Operating Expenses:		
Contracted services	742,827	865,497
Supplies and materials	37,772	9,982
Communications	61,812	40,603
Travel	67,063	100,098
Rent	63,223	50,556
Repair and maintenance	7,038	1,554
Other expenses	<u>66,547</u>	<u>87,440</u>
	<u>1,046,282</u>	<u>1,155,730</u>
Equipment	<u>129,184</u>	<u>61,422</u>
Total Expenditures	\$ <u>2,376,960</u>	\$ <u>2,276,924</u>





LEGISLATIVE COUNCIL  
SCHEDULE OF ADJUSTMENTS TO THE STATEWIDE  
BUDGET AND ACCOUNTING SYSTEM (SBAS)  
FOR FAIR FINANCIAL PRESENTATION

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	<u>Recorded On SBAS</u>	<u>Increase (Decrease)</u>	<u>Recorded On Financial Statements</u>
<u>1981-82</u>			
<u>Other Special Revenue Fund</u>			
Publication sales	\$ 436,965	\$(26,189)	\$ 410,776

The Council did not adjust SBAS for the accounts receivable recorded on the financial statements by the prior auditor. This adjustment is made to reduce 1981-82 revenue by the amount recorded as accounts receivable during the 1980-81 fiscal year.

<u>1982-83</u>			
<u>Other Special Revenue Fund</u>			
Inventory	\$ 98,605	\$(31,980)	\$ 66,625
Reserve for inventory	98,605	(31,980)	66,625

The Council recorded the balances in these accounts prior to our physical count of publications. The adjusted balance reflects the actual inventory on hand at fiscal year end.

<u>General Lease Liability Account</u>			
Amount to be provided for payment of lease liability	\$ 0	\$ 27,875	\$ 27,875
Lease payable	0	27,875	27,875

We included this account on our financial statements to reflect the amount owed on a capitalized lease.



## AGENCY RESPONSES



HOUSE MEMBERS

REX MANLEY  
CHAIRMAN  
RALPH S. ELDALL  
ROBERT L. MARKS  
JOHN VINCENT

SENATE MEMBERS

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# Montana Legislative Council

State Capitol  
Helena, MT. 59620

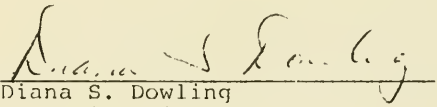
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October 21, 1983

## AGENCY RESPONSE

We agree with the recommendation and plan to implement such a procedure in conjunction with our automation of our entire invoice-inventory process, hopefully within the year. To implement such a system manually would mean several thousand invoice numbers having to be manually entered in two places rather than the one place they are now entered. We agree with the statement that if an invoice were lost or misplaced, it would be difficult to determine who owed. However, it would not be impossible, and manual implementation seems to create difficulties and cause much extra paper work to cure a problem that may never come into being.

  
Diana S. Dowling  
Executive Director

DSD:ee

MGMT2/ee/Agency Response





